

## Message Text

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ACTION STR-04

INFO OCT-01 EA-07 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 STRE-00 AF-06 ARA-06 EUR-12 NEA-10 /133 W  
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P R 161030Z MAR 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 1266

INFO AMEMBASSY TOKYO

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ACTION STR

H PASS CODEL

E.O. 11652: NA

TAGS: ETRD MTN

SUBJ: BILATERAL CONSULTATIONS WITH JAPANESE ON US TARIFF  
FORMULA PROPOSAL

1. US MTN DEL (AMB WALKER, MCNAMARA, BALE)  
MET WITH JAPANESE DEL (AMB TSURUMI, UKAWA) AFTERNOON OF  
MAR 15 FOR PRELIMINARY CONSULTATIONS ON US TARIFF  
FORMULA PROPOSAL (Y EQUALS 1.5X PLUS 50). MTN DEL ALSO  
SOUGHT INFORMATION ON JAPANESE FORMULA POSITION TO BE  
TAKEN AT MAR 23 TARIFFS GROUP MEETING.

2. STRESSING IMPORTANCE US ATTACHES TO THE TARIFF  
CUTTING HYPOTHESIS, AMB WALKER NOTED THE EXTENSIVE  
CONSULTATIONS WITH THE PRIVATE SECTOR AND THE CONGRESS  
AND CONSIDERABLE ANALYSIS PRECEEDING US DECISIONS ON  
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THIS QUESTION. WALKER SAID THAT US OBJECTIVES FOR

TARIFF CUTTING IN THE MTN WERE SIGNIFICANT OVERALL REDUCTIONS OF TARIFFS WITH HARMONIZATION THROUGH A HYPOTHESIS WHICH IS MORE AMBITIOUS THAN KENNEDY ROUND HYPOTHESIS OF 50 PERCENT, IS AIMED AT REDUCING DUTIES WITHIN THE TARIFF DISTRIBUTION RANGE IN WHICH A LARGE MAJORITY OF DEVELOPED COUNTRY RATES NOW FALL, INSURES MORE EQUITABLE ACCESS AMONG DEVELOPED COUNTRY MARKETS, AND PROVIDES MORE SECURE AND MORE FAVORABLE ACCESS FOR LDC EXPORTS. AS AGREED IN TPRG MEETING MAR 13, WALKER STATED THAT IN US VIEW THE BEST HYPOTHESIS TO ACHIEVE THOSE GOALS WOULD BE Y EQUALS 1.5X PLUS 50, UP TO A MAXIMUM 60 PERCENT REDUCTION ON EACH ITEM AND APPLIED TO TARIFFS ON ALL PRODUCTS. IN REVIEWING THESE OBJECTIVES AND ARTICULATING US POSITION, WALKER DREW ON POINTS IN THE APPROVED TPRG POSITION PAPER.

3. TSURUMI SAID HE THOUGH US PROPOSAL WAS ENCOURAGING AND IMPORTANT STEP, AND THAT JAPAN WILL SERIOUSLY STUDY US FORMULA PORPOSAL TO SEE HOW IT APPLIES TO JAPANESE TARIFFS. HE ALSO STATED (AS EC DEL DID IN EARLIER SESSION) THAT HE WAS PLEASED THAT US KEPT ITS PROMISE TO TABLE SPECIFIC PROPOSAL AT THIS TARIFF GROUP MEETING. TSURUMI ASKED IF WE INTENDED THAT OUR PROPOSAL APPLY TO AGRICULTURE (US ANSWERED YES) AND WHETHER WE WOULD APPLY FORMULA TO TEXTILES (AMB WALKER STATED WE HAD NOT ADDRESSED QUESTION OF ANY SPECIFIC PRODUCT EXCEPTIONS). UKAWA NOTED THAT JAPAN CONSIDERED PETROLEUM TO BE EXCLUDED FROM CONSIDERATION IN THE TARIFF CUTTING EXERCISE, AND WALKER AGREED WITH THAT VIEW.

4. TO A QUESTION BY AMB WALKER AS TO WHAT THE JAPANESE FORMULA POSITION WOULD BE, TSURUMI RESPONDED THAT JAPAN HAD A SLIGHT PREFERENCE FOR Y EQUALS X (3 TIMES) BECAUSE IT WAS SOMEWHAT SIMPLER IN CONCEPT THAN ITS OTHER TWO EARLIER PROPOSALS.

5. UKAWA ASKED WHETHER THE US HAD FACTORED INTO ITS CONSIDERATION OF ITS FORMULA PROPOSAL THE DEGREE OF EXCEPTIONS IN THE KENNEDY ROUND WHICH REDUCED THE 50 PERCENT HYPOTHESIS TO A RESULTING OVERALL CUT OF 35 LIMITED OFFICIAL USE

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PERCENT. AMB WALKER RESPONDED THAT US WAS AWARE OF THE HISTORICAL FACT OF K.R. EROSION BUT THAT WAS NOT A GUIDE TO OUR DECISION. UKAWA ALSO ASKED HOW THE US PROPOSAL TIED IN WITH THE ISSUE OF THE EROSION OF GSP MARGINS. AMB WALKER RESPONDED BY SAYING THAT THE US VIEWED DEEP AND BINDING MFN CUTS TO BE IN THE BEST INTERESTS OF LDCS, NOTING THAT US PROPOSAL ALSO HAD EFFECT OF SUBSTANTIALLY REDUCING TARIFF ESCALATION.

6. CROSS NOTIFICATION EXERCISE WITH LDCS: UKAWA NOTED THAT JAPAN HAD EXPRESSED UNHAPPINESS WITH US CROSS NOTIFICATIONS PROPOSAL. AMBASSADOR WALKER RESPONDED THAT THE PROPOSAL WAS DESIGNED TO INSTITUTE PROCESS OF FORMULA-COUNTRY NEGOTIATIONS WITH NON-FORMULA COUNTRIES, AND AS MEANS OF CONSIDERING POSSIBLE SPECIAL AND DIFFERENTIAL TREATMENT FOR SPECIFIC LDC EXPORTS.

7. BASE RATES:BASE DATE: AMB WALKER NOTED THAT WE CONTINUE TO STRESS IMPORTANCE OF SATISFACTORY RESOLUTION OF THIS ISSUE AND EXPRESSED HOPE THAT VARIOUS COUNTRIES WOULD PROVIDE ADEQUATE INFORMATION (TARIFF RATE INFORMATION FILE) ON THIS. UKAWA NOTED THAT JAPAN STILL HAD TECHNICAL PROBLEMS WITH THEIR TRIF, RELATING TO TEMPORARY CUTS IN EX-OUT ITEMS. UKAWA ASKED WHETHER THE US INTENDED THAT THE TRIF SHOULD BE DISTRIBUTED TO ALL MTN PARTICIPANTS. WE NOTED THAT WE HAVE NOT COME TO A DECISION ON THIS QUESTION. UKAWA EXPRESSED CONCERN ABOUT EXTENSIVE DISCUSSION OF TRIF IN TARIFFS GROUP MEETING, FEARING PRESSURES FROM SOME COUNTRIES TO HAVE TRIF WIDELY DISTRIBUTED.

7. COMMENT: MTN DEL BELIEVES THAT JAPAN WILL EXPRESS ITS PREFERENCE FOR Y EQUALS X (3TIMES), FORMULA, BUT WILL TAKE LOW-KEY APPROACH IN DISCUSSION OF US OR EC APPROACH. TOKYO WILL PROBABLY NOT BE READY TO DISCUSS FURTHER ITS POSITION UNTIL US PROPOSAL IS FULLY ANALYZED AND OTHER COUNTRIES' REACTIONS ARE WEIGHTED. WALKER

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